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SUBJECT: GREEK SHIPPERS HURTING, LOOKING TO USG

¶1. SUMMARY: On March 10, incoming President of the Hellenic Shipowners Association (HSA), Theodore Veniamis and two major ship owners and former presidents of the HSA, George Gratsos and John Lyras, told Econoff that Greek ship owners were suffering from a severe drop in trade financing and from an over-optimistic capital investment strategy from years past. Veniamis elaborated on other key ship owner concerns, including dealing with EU emissions and competition regulations and said the HSA has looked to the USG for support in Brussels. He indicated that the HSA had good relations with the Marine and Fisheries Committee in the U.S. Congress, and said he was planning a visit to Washington in the fall. END SUMMARY.

¶2. Newly elected president of the Hellenic Shipowners Association Theodore Veniamis told Econoff during an introductory call that the Greek-controlled shipping fleet, was facing severe difficulties as a result of the global downturn in trade. Veniamis said the HSA represents Greek shipping companies that own commercial ships over 3000GWT, most of which are bulk carriers and tankers. He said that the main challenge facing the shipping companies in this difficult year was the lack of international trade finance for bulk carriers and to a lesser extent tankers. Veniamis said that container deliveries have also dropped sharply with a drop in consumer demand. These difficulties were compounded by over-optimistic capital investment planning from previous years as, Veniamis said, Greek companies currently have over 340 ships on order, with companies scrambling to re-schedule deliveries or cancel them outright.

Most of these ships are being built in Chinese and Korean yards which, Veniamis said, have demonstrated good flexibility in order to avoid the cancellations of contracts.

¶3. At the same time, Veniamis said, shipping firms are running out of anchorage space in certain parts of the world, particularly in Hong Kong and Singapore. (NOTE: We have observed a significant increase in the number of ships, mostly apparently coastal freighters, anchored in the Saronic Gulf. End note.) Because of these difficulties, he said, Greek shippers have increased the number of ships they are sending to scrap yards) 60 were contracted to scrap in February 2009 in Bangladesh and India, compared with only five in July of 2008. This trend will maintain through 2009 as EU rules will force the retirement by the end of 2010 of all non-double hulled tankers calling on EU ports. Gratsos clarified that tankers trading only between ports that do not require double hulls will not be affected.

¶4. Characterizing the Greek merchant fleet as a "strategic asset" -- one of the largest fleets in the world, accounting for over 20 percent of tanker hulls and 25 percent of bulk carriers, Veniamis emphasized that the Hellenic ship owners have in the past looked to the USG for support in various ways. For example, Veniamis told us that the HSA found itself frequently on the USG side of issues involving the European Commission, from competition rules to emissions. The HSA, he said, has a very good relationship with the US Coast Guard, especially in the IMO. The single most effective relief for Greek shipping interests now, he said, would be for international trade finance to begin flowing

again, and the Greeks are looking to the USG to help make that happen.

¶5. The HSA leadership told us they usually travel to Washington every two or three years in order to meet with Congressional committees and USG entities. Veniamis said the HSA had a very good relationship with Members and staff on the "House Committee on Marine and Fisheries issues." (Note: we believe he was referring to the Transportation Subcommittee on Coast Guard and Maritime Transportation. End note.) Veniamis said he was planning a visit to Washington in the fall . One theme he expected to broach was the "strategic challenge" facing the shipping industry. Elaborating, he said that the growing concentration of shipping and ship building in China will result in international maritime rules increasingly adjusted to address Chinese rather than international priorities.

McCarthy